



COMMONWEALTH of VIRGINIA

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Office of the Comptroller

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MEMORANDUM

TO: Heads of All State Agencies and Institutions

FROM: David A. Von Moll 

SUBJECT: Internal Control Initiative

I write to inform you about an initiative my office is undertaking this year to increase the level of awareness, understanding, and appreciation of internal control and to strengthen the quality of agency internal control structures throughout state government. Government agencies are entrusted by the public with the responsibility for:

- Using government resources efficiently and effectively towards meeting agency strategic objectives,
- Safeguarding Commonwealth funds and other assets against loss due to waste, abuse, fraud, mismanagement, and error,
- Adherence to laws, regulations, and contracts, and
- Accurate, timely and reliable financial accounting and reporting governing public funds.

A strong agency internal control structure is the only reliable way to ensure everyone in your agency constantly and consistently works towards upholding this trust. Although these internal control concepts are not new, in recent years the value of internal control has been the subject of increased emphasis for both private and public sector organizations. Strong internal control directly affects any organization's ability to implement its strategies and achieve its mission.

Current state policy requires agency heads to certify to my office on an annual basis an acknowledgement of responsibility for establishing, maintaining and assessing their agency internal control structure. This annual certification requirement, set forth in Commonwealth Accounting Policies and Procedures topic 10305, *Internal Control*,

carries the expectation of a vigorous, proactive process designed to be conducted as an integral part of each agencies' strategic planning and operating cycles. Although this may describe some agencies' approach, all agencies can benefit from an increased emphasis on internal control.

Therefore, pursuant to § 2.2-803 of the *Code of Virginia*, my office is developing an updated and more structured approach governing agency internal control responsibilities. We plan to enhance the tools available to you to test and improve your agency internal control structure so that you are able to certify with a higher level of certainty and reliability the strength of your agency's internal control framework, and as a state we are able to achieve internal control best practice levels contemplated by the regulations supporting the Sarbanes-Oxley Act that now govern private industry. This will involve new policies and procedures, agency risk assessment tools, agency internal control checklists and questionnaires, and mandatory training programs. Our agency review process will be revised to review agency internal control performance measures.

Initially, an agency fiscal officer training program is being developed. This program will differ from the voluntary financial management training program offered by DOA from 1994-2001. The new program will be restructured as a high level, tightly structured multi-day curriculum, mandatory and exclusively for any person you have delegated as your agency fiscal officer on your agency signature form. The curriculum will encompass internal control, budget control, disbursements, payroll and other financial accounting and reporting responsibilities at a level designed to alert fiscal officers of their fiduciary responsibilities, identify tools at their disposal to implement a sound internal control framework within their agency and facilitate carrying-out their duties in a responsible manner. A training schedule will be developed and announced in April of this year.

I welcome you and your staff's participation in this process. We will be developing training curriculums, policy drafts, risk assessment tools and internal control checklists over the next several months and will be actively soliciting comments throughout the process. Thank you in advance for your support. If I can provide any additional information, please let me know.

DAV/bml

c: John M. Bennett, Secretary of Finance
Agency Fiscal Officers